



Vintners Quality Alliance Ontario

Setting the standard for Ontario's wines of origin

2009 ANNUAL REPORT

Mission:

Effectively manage the appellation system while striving for continuous improvements in wine quality. Communicate the VQA promise of origin and authenticity to consumers.

Vision:

Consumers will use VQA appellations as their guide to buying authentic wines of origin and quality.

Values:

Integrity and Fairness

VQA Ontario will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Firmness and Responsibility

VQA Ontario will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

Responsiveness and Communications

VQA Ontario will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will adopt and implement appropriate policies to respect the confidentiality of its members and stakeholders. It will promote the value and benefits of VQA wines to consumers.

Accountability

VQA Ontario will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness

VQA Ontario will strive to carry out efficient and cost-effective operations, and continue to pursue service improvements in all areas of operations.



Chair's Report



After four years as the Chair of the VQA Ontario Board of Directors, I will complete my term this year. Much has happened in this relatively short time and I am pleased that VQA Ontario continues to consolidate its value and build on its strengths.

Since July 2005 when I assumed the Chair, we have been through a crop shortage and many anxieties about our financial viability both at VQA Ontario and in the wine and grape industry at large. We were also blessed along the way with a great vintage in 2007. Through all this we have stuck to the vision that appellation and quality will be the foundation for consumer trust and loyalty to VQA wines and provide the tools for the local wine industry to succeed.

For consumers, VQA Ontario is committed to maintaining a system based on label integrity, appellation of origin and quality assurance – you can trust that VQA is a real certification of origin and authenticity. For the wine industry, VQA appellations provide the anchor to the place where our grapes are grown, sets our wines apart from others, and adds value and distinction in the marketplace. The one constant is appellation of origin, and I am convinced that this will be the defining feature of VQA and of our local industry for the future.

In support of the appellation message, we began an important project last year to increase awareness of each of Ontario's appellations. We hope to make the appellation of origin – not just VQA status – one of the key factors that is considered when a consumer chooses a wine, and talks about a wine.

This project intends to provide a comprehensive and respected set of resources to those who are highly involved in wine and to spread the word about the unique features of Ontario appellations. I hope that the names of our wine appellations will become household words for those who love wine. If this piques your curiosity, see our website at www.vqaontario.ca to start exploring our appellations.

Of course all this is possible only with a strong organization with good governance and operational practices. VQA Ontario's core responsibility is to administer the VQA Act and regulations with diligence and fairness, and I believe we have an effective structure in place to achieve this. The Board is engaged in its duties of oversight and strategic planning and staff conducts operations in an effective and transparent manner. We have a good team in place – one that understands VQA Ontario's public responsibilities but is committed to working with wineries to ensure the system works and is cost effective.

I welcome Ken Douglas as the incoming Chair and wish him the best of success. This is a volunteer position and we are most grateful to have Ken's wisdom and experience to lead us into the future. I know that he can continue to rely on the generous support of the Board, wineries, staff and other stakeholders that I received while Chair.

A handwritten signature in black ink, appearing to read 'Greg Berti', with a stylized flourish at the end.

Greg Berti
President and Chair

Executive Director's Report



This past year, VQA Ontario launched a new 5-year strategic plan with a renewed focus on appellations and making sure that wine origin is a prominent feature of VQA wines. Several initiatives to support this goal were completed in 2008 including a change to labelling regulations that will ensure the appellation statement appears on the front label in a minimum type size. In addition, we have completed a major upgrade to our website to provide better and more user-friendly information on all of our appellations. While VQA Ontario does not have significant funds to spend on communications, we will work hard to encourage the distribution of these resources through our member wineries and the wine trade. If you are reading this report, you are most likely a good candidate to disseminate this information to your colleagues, clients or students. Please take advantage of it!

We are working towards improving the overall quality of VQA wines. The Winemakers Forum project continues in all regions, bringing together VQA winemakers to discuss winemaking techniques, best practices and vintage issues. The fifth annual "winery report card" was issued this year, providing an analysis of successes and failures at the VQA taste panel and allowing wineries to benchmark themselves within the industry.

At the staff level, the core business activities of wine testing and tasting, label review and audit and

enforcement remain a top priority. The number of wineries participating in VQA continued to grow last year – to 106 by March 31, 2009 – and we saw a corresponding increase in applications for wine approvals to 1636, up 6 %. Total volume of wine approved was up from 16 million litres to 19 million litres. Compliance with the VQA regulations continues to be very good. Statistics on inspections and compliance actions can be found later in this report.

Although revenues for fiscal 2009 were relatively normal for VQA Ontario, the economic downturn raises uncertainties for us and for our winery members. We will be reviewing revenue forecasts regularly and expect to access reserve funds to address revenue shortfalls.

This year, Chair Greg Berti will become Past Chair after 4 years leading the Board of Directors. Greg has provided exceptional strategic direction for VQA Ontario and we will miss his dedicated and capable leadership. It has been a pleasure working under his guidance and I join our staff and the Board in thanking him for his many contributions. I look forward to Greg's continued involvement as Past-Chair and to working closely with our new Chair.

A handwritten signature in dark ink that reads "L. Macdonald". The signature is fluid and cursive, with a large, stylized 'L' and 'M'.

Laurie Macdonald
Executive Director

Organization Profile

VQA Ontario was incorporated on November 26, 1998 as a not-for-profit corporation to prepare for the implementation of the *Vintners Quality Alliance Act, 1999*. The VQA Act gained royal assent on May 4, 1999 and was proclaimed into law on June 29, 2000. VQA Ontario is designated as Ontario's wine authority under the Act and is responsible for administering the VQA Act and its regulations under a detailed agreement with the Minister of Small Business and Consumer Services.

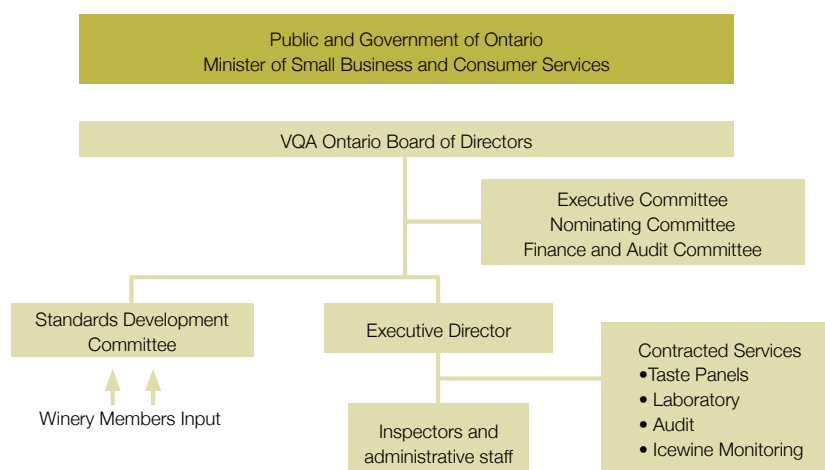
The VQA Act establishes an "Appellation of Origin" system by which consumers can identify quality wines made in Ontario based on the origin of grapes used, production methods and other standards. Wines produced in accordance with VQA regulations may apply for approval and, if successful, are entitled to use the terms, designations and descriptions regulated under the Act.

In addition to its primary mandate to administer and enforce standards under the VQA Act, VQA Ontario

is also committed to work with other stakeholders to promote a better understanding of VQA wines, Ontario's wine appellations and the appellation system. This includes providing educational materials and participating in national and international activities related to wine standards and trade.

VQA Ontario is governed by a Board of Directors comprised of nine members elected from its winery members, three members appointed from the Ontario Government, the Grape Growers of Ontario and the Ontario Restaurant, Hotel and Motel Association, and a Past-Chair. The governance structure reflects the principles of self-management, with industry representatives comprising a majority of the Board of Directors with additional representation ensuring balance and accountability. Members of the Board of Directors are listed inside the back cover.

Operations are run by a small permanent staff with assistance provided by the Liquor Control Board of Ontario on a contract for service basis.





Activity Review

VQA Ontario's performance goals include upholding the provisions of the VQA Act and regulations and enhancing recognition and understanding of the VQA appellation system with a focus on origin, quality and integrity. The following reports activities during the period April 1, 2008 to March 31, 2009.

Membership

106 wineries were registered as participants in the VQA program at the end of March 2009. These included 5 large wineries (sales of over 750,000 litres of VQA wines) 18 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 83 small wineries (sales of up to 100,000 litres of VQA wines). Membership is expected to remain steady into 2010.

Regular member communications ensured wineries were kept up to date on VQA Ontario's policies and procedures.

Product Approvals

1638 applications for approval to use the VQA designation and descriptive terms regulated under the VQA Act were processed. Each wine must successfully complete comprehensive quality assurance testing including a taste test, laboratory analysis and packaging review. Approvals were granted for 1363 wines, and denied for 275.

The first phase of a secure online system (known as 'WAS') for processing wine approval applications was launched in June 2008. Phase 1 introduced online applications and Phase 2 will follow in the coming year with online tracking and reporting of results. This major initiative will streamline the process for wineries and improve timely access to information.

ACTIVITY SNAPSHOT

4 new member wineries

1363 wines approved

83% success rate for approvals

Chardonnay the top production VQA varietal wine

120 export certificates issued

333 audits and inspections conducted

1 compliance order issued and resolved

Quality

VQA Ontario continued a two pronged program to support wineries in improving quality outcomes. The Winemakers Forum is a venue where winemakers share their experiences and best practices in an informal setting and discuss techniques that are especially successful in Ontario's unique conditions. The second program provides statistics and analysis of results from the VQA taste panel and allows wineries to benchmark themselves and gain insight into how performance might be improved.

Inspections and Audits

203 routine audits were conducted during 2008 – 2009 to verify compliance with origin and production standards for all approved VQA wines. Each winery member was subject to an on-site audit on a 6 to 8 month interval, depending on their compliance record.

In addition, 130 random inspections were completed at the retail level, focused primarily on ensuring ongoing compliance with VQA packaging and labelling regulations. As a result of audits and inspections, follow up was conducted in 27 cases. The majority of issues addressed were minor in nature and no charges were laid under the VQA Act.

Enforcement

VQA Ontario issued 1 compliance order in a case where a violation of the VQA Act and Regulations was discovered. Other issues were resolved through corrective actions and warnings. Details on enforcement activity are found later in this report.

Regulatory Review

A package of regulatory amendments was completed in 2008-2009 that included increasing the prominence of appellation on VQA labels, new grape varieties and changes to permitted closures.

Trade and Export Development

Along with stakeholders from industry and government, VQA Ontario continued to participate in discussions to promote recognition and acceptance of the VQA appellation standard and access to world markets. VQA Ontario provides an independent certification process required by the European Union as a condition of access to member states and also provides hygiene certificates for wines destined for Taiwan and China. 120 export certificates were issued last year.

Appellation Awareness

VQA Ontario participated in and supported a number of programs aimed at informing members, the public, consumers and industry groups about VQA appellations of origin, quality standards and the value of a regulated appellation system.



A new dynamic website with greatly enhanced resources on appellation and comprehensive information on VQA and VQA wines was launched in early 2009. This will provide a strong platform for enhancing VQAO's communications infrastructure.



Ontario's VQA Wines – The Year in Review

VQA Ontario Wine Sales - Year ending March 31, 2009

By Volume

	Litres (2009)	Litres (2008)	% Change
Winery Retail	4,041,111	3,364,388	20.1
Licensees	2,813,432	2,800,920	0.4
LCBO (shipped)	5,287,803	4,228,595	25
Outside of Ontario and miscellaneous	1,242,743	1,066,833	16.5
Total	13,385,089	11,460,736	16.8

By Retail Value

	Retail value (\$) (2009)	Retail value (\$) (2008)	% Change
Winery Retail	86,858,572	77,172,462	12.6
Licensees	41,252,326	39,821,322	3.6
LCBO (shipped)	84,448,087	68,985,314	22.4
Outside of Ontario and miscellaneous	37,391,909	33,084,305	13.0
Total	249,950,894	219,063,403	14.1



VQA Wine Approvals and Production

These figures are based on volumes declared at the time a wine is submitted for VQA approval (they do not include wines that are still in process or aging prior to submission for approval).

Total number of applications for VQA approval received – **1638**

Total number of wines approved for VQA status – **1363**

Total volume of approved wines – **2.13 million cases (19.2 million litres)**

Total estimated grape tonnage used – **30,000 tonnes**

Production at a glance

(April 1, 2008 – March 31, 2009)

Wine Category	# of Products	Volume (9L cases)	Change from last year (volume)
Table Wine	1,172	1,966,676	21%
Icewine	126	117,000	- 17%
Late Harvest	41	15,208	- 48%
Other	24	30,907	10%
Total	1,363	2,129,791	17%

Table wines

The table wine category includes all still wines but does not include sweet wines.

The overall production of table wine continued to grow over last year. Both white and red varietal wine production was up strongly from the previous year.

Chardonnay and Riesling continue to be the most popular white varietals based on volume. Riesling was a bit of an anomaly among the increases with production remaining relatively flat, and Vidal table wine volume decreased substantially. Pinot Gris (or Pinot Grigio) enjoyed an upsurge in production reflecting its recent success in the marketplace.

In the reds, most were up significantly, led by Cabernet Franc and Merlot in percentage

increase. Cabernet Sauvignon held steady after a large increase last year and Gamay Noir was also relatively stable. Cabernet Franc showed a considerable increase, perhaps in rebound to the decrease recorded last year.

Wineries within the Niagara Peninsula are continuing to develop their use of sub-appellation labelling to give consumers more specific information about wine origin. A total of 415 wines, or 30% of all VQA wines that were approved in the past year, specified a sub-appellation. This compares to 321 wines that took advantage of this opportunity in the previous year when they were first introduced.



Wine Production By Category

Single Varietal Wines by Grape Variety

Single Varietal	Year ending March 31, 2009		Year ending March 31, 2008		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
WHITE WINES					
Chardonnay	198	397,089	192	307,574	29
Riesling	121	214,413	124	224,031	-4
Vidal	28	33,707	28	72,956	-54
Sauvignon Blanc	48	68,360	50	45,748	49
Pinot Gris/Grigio	55	100,151	35	30,633	227
Gewurztraminer	44	43,700	40	28,157	55
TOTAL WHITE	494	857,420	469	709,099	21
RED WINES					
Merlot	66	125,060	54	76,496	63
Baco Noir	37	81,367	32	63,413	28
Pinot Noir	76	83,763	58	60,857	38
Cabernet Franc	52	96,717	54	56,163	72
Cabernet Sauvignon	41	44,409	48	46,162	-4
Gamay	19	28,358	25	27,402	3
Shiraz/Syrah	23	19,041	28	14,251	34
TOTAL RED	314	478,715	299	344,744	39
OTHER (16 varietals)	50	27,207	44	26,423	3
TOTAL	858	1,363,342	812	1,080,266	26

Late Harvest wines (including Botrytis affected wines)

Wine category	Year ending March 31, 2009		Year ending March 31, 2008		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Late Harvest	22	10,662	15	20,147	-47
Select Late Harvest	16	3,242	16	6,560	-51
Special Select	*	1,304	7	2,777	-53
Late Harvest					
TOTAL	41	15,208	38	29,484	-48

* less than 5

Sparkling and Fortified wines

Wine category	Year ending March 31, 2009		Year ending March 31, 2008		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Sparkling wines	15	14,837	10	17,907	-17
Fortified wines	0	0	*	573	-100

* less than 5



Icewine

Icewines by Variety

Single Varietal	Year ending March 31, 2009		Year ending March 31, 2008		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Vidal	46	83,064	70	118,021	-30
Riesling	26	13,027	19	6,121	113
Cabernet Franc	23	11,139	23	12,667	-12
Gewurztraminer	5	1,131	*	636	78
Cabernet Sauvignon	7	1,281	11	2,113	-39
Other	10	1,618	7	728	122
TOTAL	117	111,260	130	140,286	-21

* less than 5



The 2008 Vintage

Conditions

The 2008 vintage growing season was quite variable from one appellation to another. March was cool and wet in all appellations, with record snowfalls recorded in the Lake Erie North Shore and Prince Edward County appellations. This was immediately contrasted with a warmer than normal April and drier conditions in Lake Erie North Shore. May was again cooler in all regions but was notable for the lack of severe spring weather such as thunderstorms. Summer finally arrived in June with warm weather, including some severe weather that produced high winds and hail. Vines fared well through June, getting a good start on the growing season and avoiding the hail damage that affected some of the early season tender fruits such as plums.

Summer months in the Niagara Peninsula and Prince Edward County saw normal temperatures and much higher precipitation than normal. In the western Ontario appellations of Lake Erie North Shore and Pelee Island, the situation was quite different with drier conditions, including a record low rainfall for August.

By mid-August, ripening looked to be 7-14 days delayed from what is considered normal in Niagara Peninsula and Prince Edward County and just a few days behind in Lake Erie North Shore and Pelee Island.

Harvest

September brought improved conditions with welcome warm temperatures and sunny dry weather. Harvest began late in September – and stretched into mid-November. The fall was generally dry, offering good harvest conditions, with just a few notable rainfalls associated with the remnants of tropical storms and hurricanes from the south. The combination of good fall weather and careful thinning of fruit to manage ripening resulted in most grapes reaching ripeness in the October harvest window. After a summer marked by intermittent worry about delayed maturity, sugar levels in most grapes turned out to be in the normal range.

In addition to the regular season harvest, an additional estimated crop of 6000 tonnes was netted and left on the vine for Late Harvest Wines and Icewines. For the 2008 vintage, an abundance of different grape varieties were registered with VQA for late harvest, including Vidal, Riesling, Cabernet Franc, Cabernet Sauvignon, Gewurztraminer, Chardonnay and 13 other varieties.

Icewine season began with the first harvest taking place on Dec 7, 2008. A very short burst of minus 8 temperatures occurred earlier in some areas on November 22 but no Icewine grapes were harvested at that time. It was a notable distinction to the 2008 vintage that the theoretical potential to begin Icewine harvest came while the regular season harvest was still underway.

2008 Vintage Estimates – Late Harvest and Icewine Juice

Variety	Icewine Juice (Litres)			Late Harvest Juice (Litres)		
	2008 Vintage	2007 Vintage	% change	2008 Vintage	2007 Vintage	% change
Vidal	531,808	833,147	-36	38,280	48,432	-21
Riesling	159,508	131,451	21	14,530	18,391	-21
Cabernet Franc	170,325	141,660	20	10,900	8,170	33
Gewurztraminer	5,095	9,881	-52	1,700	725	134
Cabernet Sauvignon	41,684	19,263	116	6,385	5,995	7
Others	35,574	17,736	101	2,150	3,995	-46
TOTAL	953,994	1,153,138	-17	73,945	85,708	-14

Wine Expectations

2008 saw some challenges and required careful attention to vineyard management to ensure good quality at harvest. Fortunately, the main summer influence of 2008 – the summer rain – was manageable with leaf and fruit removal to reduce vine foliage and promote fruit ripening, and followed by a stretch of excellent fall weather. By harvest, most of the crop was in good shape. 2008 promises good

potential for white wines, particularly Riesling and Chardonnay and aromatic whites.

Traditionally cool climate reds, such as Pinot Noir and Gamay Noir, should also show well. Lake Erie North Shore and Pelee Island strengths will include full bodied wines, such as Cabernet varieties and Chardonnay, which benefited from the dry August in those appellations.

Enforcement Activity

VQA Ontario enforces compliance with the VQA Act and regulations as its primary mandate. The regulatory process starts with the monitoring of grape quality at harvest through independent sugar testing, regular auditing and reconciling of wine making processes, and record-keeping. Once the wine is finished and submitted for VQA approval, taste tests, laboratory tests and label reviews are completed. Only after having successfully completed this process can a wine receive approval and be released for sale, using designated terms and descriptions.

Last year, VQA Ontario conducted 203 full on-site audits, taking from 1 to 3 days each and an additional 130 random, unannounced retail inspections at winery retail stores and LCBO stores. As a result of these activities, a number of problems were uncovered and corrected, most related to minor labelling violations such as placement of variety names, or graphic discrepancies with the VQA logo. The most serious violations found were cases where wineries had offered VQA wines for sale before receiving approval. These wines were ordered removed from all channels of sale.

VQA Ontario also conducts random Quality Assurance Reviews on VQA wines to ensure ongoing product integrity. This involves selecting approved wines on a random basis from a retail setting and re-testing these wines. Results from this process are used to verify that the wine in the bottle is the same wine that was approved.

The overall level of compliance with VQA regulations within Ontario continues to be very good. The majority of infractions are relatively minor in nature and many are uncovered and corrected before products reach the consumer market. Winery compliance with correction requests is excellent and few infractions require enforcement action to achieve compliance.

Investigations led to a compliance order being issued in one instance where a winery failed to comply with the conditions to correct labels associated with a wine approval. The wine was removed from sale until corrective actions were completed.

The membership of a winery was revoked in June 2008 due to ongoing compliance issues. This decision was appealed and a tribunal was held in July 2008 to hear the appeal. After consideration of submissions by the winery and VQA Ontario, the tribunal upheld the revocation.

Financial Report

Resourcing

VQA Ontario is funded by its member wineries through sales levies and fees for service. It continues to seek out ways to maximize the efficiency of service delivery, including sharing services with other agencies. VQA Ontario acknowledges the Liquor Control Board of Ontario for its assistance and cooperation in providing contracted services that increase VQA Ontario's efficiency in performing its regulatory role.

Financial Summary

This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2009.

Expenditures exceeded revenue by \$126,749 for the year ended March 31, 2009. This operating deficit is part of a longer term plan to draw down the level of assets retained by VQA Ontario and

maintain a sustainable fee structure. Total revenue was \$1,076,174 compared to total expenses of \$1,202,923. Net assets carried forward are \$480,484, down from \$607,233 in 2008, reflecting capital expenditures on the new online approvals system and the operating deficit. Net assets include restricted funds in the amount of \$200,000 that are allocated to a legal contingency fund as well as general operating contingencies.

Revenue for fiscal 2009 was derived primarily from member bottle fees (\$637,985) and approval fees (\$287,578).

Total expenditures for the year were \$1,202,923 with major expenses including wine approvals and quality monitoring (\$398,143), public education and appellation projects (\$328,772) and employee costs (\$298,701).



Financial Statements

VQA 2009 Financial Statements as at March 31, 2009.



Mark Kopstick C.A.
Benjamin Osher C.A.
William Genga B.Comm.

In association with
Reiner Goebel C.A.

AUDITORS' REPORT

To the Board of Directors,
Vintners Quality Alliance Ontario

We have audited the statement of financial position of Vintners Quality Alliance Ontario as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in blue ink, appearing to read "Kopstick Osher".

Toronto, Canada
May 28, 2009

KOPSTICK OSHER
Chartered Accountants, LLP
Licensed Public Accountants

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

VQA 2009 Financial Statements as at March 31, 2009.

	2009	2008
ASSETS		
Current		
Cash	\$ 114,673	\$ 145,373
Investments - Note 3	319,899	595,594
Accounts receivable	68,096	67,512
Prepaid expenses	7,749	12,952
	<u>510,417</u>	<u>821,431</u>
Investments - Note 3	<u>110,634</u>	<u>-</u>
Capital - Note 4	<u>79,400</u>	<u>39,332</u>
	<u>\$ 700,451</u>	<u>\$ 860,763</u>
LIABILITIES		
Current		
Accounts payable and accruals	\$ 201,252	\$ 213,155
Deferred revenue - Note 5	18,715	40,375
	<u>219,967</u>	<u>253,530</u>
NET ASSETS		
Net assets	<u>480,484</u>	<u>607,233</u>
	<u>\$ 700,451</u>	<u>\$ 860,763</u>

APPROVED BY THE BOARD:

Heather D. Smith
K21

The accompanying notes form an integral part of these financial statements.



Statement of Changes in Net Assets

VQA 2009 Financial Statements as at March 31, 2009.

	Invested in capital assets	Internally restricted for legal and enforcement fund (note 5)	Unrestricted	2009 Total	2008 Total
Net assets - beginning of year	\$ 39,332	\$ 200,000	\$ 367,901	\$ 607,233	\$ 731,052
Excess of revenues over expenses (expenses over revenues)	-	-	(126,749)	(126,749)	(123,819)
Purchase of capital assets	53,940	-	(53,940)	-	-
Amortization of capital assets	(13,872)	-	13,872	-	-
Net assets - end of year	<u>\$ 79,400</u>	<u>\$ 200,000</u>	<u>\$ 201,084</u>	<u>\$ 480,484</u>	<u>\$ 607,233</u>

The accompanying notes form an integral part of these financial statements.



Statement of Operations

VQA 2009 Financial Statements as at March 31, 2009.

	2009	2008
Revenues		
Membership fees	\$ 107,000	\$ 99,500
Bottle fees	637,985	539,217
Approval fees	287,578	267,317
Interest income	19,371	23,637
Other income	24,240	27,912
	<u>1,076,174</u>	<u>957,583</u>
Expenses		
Salaries and benefits	298,701	280,046
Contracted services	22,340	25,480
Public education	250,000	250,000
Approvals	361,143	324,547
Quality assurance and inspection	14,660	16,302
Strategic planning	-	11,812
Export development and trade	4,414	2,372
Appellations	78,772	7,605
Weather monitoring	4,000	4,000
Meetings	5,674	8,588
Travel	4,532	3,489
Rent and occupancy	38,400	38,400
Office and general	28,721	27,134
Printing and mailing	10,508	11,204
Telephone and communications	6,712	5,686
Insurance	29,003	29,324
Professional services	31,471	27,256
Amortization	13,872	8,157
	<u>1,202,923</u>	<u>1,081,402</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$ (126,749)</u>	<u>\$ (123,819)</u>

The accompanying notes form an integral part of these financial statements.

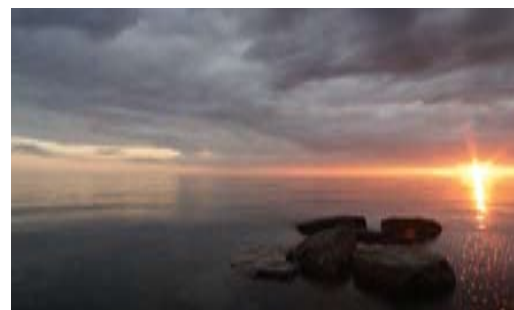


Statement of Cash Flows

VQA 2009 Financial Statements as at March 31, 2009

	2009	2008
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	\$ (126,749)	\$ (123,819)
Non-cash items:		
Amortization	13,872	8,157
Changes in non-cash working capital		
Investments	275,695	16,928
Accounts receivable	(584)	6,114
Prepaid expenses	5,203	(3,426)
Accounts payable and accruals	(11,903)	99,047
Deferred revenue	(21,660)	(1,525)
	<u>133,874</u>	<u>1,476</u>
Cash flows from investing activities		
Purchase of long-term investments	(110,634)	-
Purchase of capital assets	(53,940)	(25,553)
	<u>(164,574)</u>	<u>(25,553)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Decrease in cash	(30,700)	(24,077)
Cash - beginning of year	<u>145,373</u>	<u>169,450</u>
Cash - end of year	<u>\$ 114,673</u>	<u>\$ 145,373</u>

The accompanying notes form an integral part of these financial statements.



Notes to Financial Statements

Year ended March 31, 2009

1. Purpose and legal form of the organization

Vintners Quality Alliance Ontario is an independent organization that administers the Vintners Quality Alliance Act, 1999 and its regulations through an administrative agreement with the Ontario government. It establishes, monitors and enforces a system of quality assurance and verification of product origin for wines bearing the VQA logo.

Vintners Quality Alliance Ontario exists as a not-for-profit corporation without share capital. It is not subject to income tax.

2. Significant accounting policies

Adoption of new accounting standards

Effective April 1, 2008, the organization adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation. These sections replace Handbook Section 3861 Financial Instruments - Disclosure and Presentation. The new standards revise and enhance disclosure requirements to provide additional information on the nature and extent of risks arising from financial instruments to which the entity is exposed and how it manages those risks. Refer to note 7 for the discussion of financial instrument risks.

Revenue recognition

Vintners Quality Alliance follows the deferral method of accounting for revenues. All revenues are recognized in the year to which they pertain.

Investments

Investments consist of fixed income term deposits whose term to maturity is greater than three months from the date of acquisition. Fixed income investments maturing within twelve months from year-end are classified as current.

The investments are classified as held to maturity and are recorded at amortized cost as it is management's primary objective to hold investments to maturity.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis at the following annual rates:

Computer equipment	20%
Computer software	20%
Office furniture and equipment	20%

Notes to Financial Statements

Year ended March 31, 2009

2. Significant accounting policies (continued)

Contributed materials and services

The organization receives substantial contributed services from members and others through participation on the Board of Directors and other committees. Because of the difficulty in determining their fair value, such services are not recorded in these financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependant on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the organization's designation of such instruments.

Cash

Cash is classified as held for trading, which is measured at fair value. Any fair value fluctuations are included in income.

Investments

Investments are classified as held to maturity, which are measured at amortized cost using the effective interest rate method.

Accounts receivable

Accounts receivable are classified as loans and receivables, which are measured at amortized cost using the effective interest rate method.

Accounts payable and accruals

Accounts payable and accruals are classified as other liabilities, which are measured at amortized cost using the effective interest rate method.

Effective interest rate method

The organization uses the effective interest rate method to recognize interest income or expense for financial instruments.

3. Investments

	Face value	Amortized Cost
CIBC GIC - 4.50%, maturing October 13, 2009	\$ 300,000	\$ 319,899
CIBC GIC - Yr1 2.75%; Yr2 3.75%; Yr3 6.00%, maturing July 22, 2011	<u>108,573</u>	<u>110,634</u>
	408,573	430,533
Less: portion maturing within one year of the year-end date	<u>300,000</u>	<u>319,899</u>
Classified as long-term	<u>108,573</u>	<u>110,634</u>

At March 31, 2008, investments at face value and amortized cost were \$576,860 and \$595,594, respectively.

Notes to Financial Statements

Year ended March 31, 2009

4. Capital assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Computer equipment	\$ 25,069	\$ 16,605	\$ 8,464	\$ 13,478
Computer software	80,044	10,178	69,866	24,516
Office furniture and equipment	8,637	7,567	1,070	1,338
	<u>\$ 113,750</u>	<u>\$ 34,350</u>	<u>\$ 79,400</u>	<u>\$ 39,332</u>

5. Deferred revenue

Deferred revenue represents membership fees and product approval fees received, which relate to the subsequent year.

6. Net assets internally restricted for legal and enforcement fund

Net assets of \$200,000 have been restricted for a specific purpose. They may be used only for enforcing adherence to the regulations of the Vintners Quality Alliance Act.

7. Financial instruments

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that Vintners Quality Alliance Ontario would receive or pay to settle a financial asset or financial liability at the reporting date.

The carrying values of cash, investments, accounts receivable and accounts payable approximate their fair values due to their liquidity.

Risk management

Risk management is incorporated into Vintners Quality Alliance Ontario day to day management activities and an annual review of risks is completed by the Board.

Vintners Quality Alliance Ontario has exposure to the following risk associated with its financial instruments.

Credit risk

The organization maintains cash and investments, with financial institutions, which are in excess of amounts insured by the Canada Deposit Insurance Corporation (CDIC). Management monitors the soundness of these institutions and considers the organization's risk to be negligible.

8. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Board of Directors

Greg Berti (7)

Andrew Peller Ltd.

President and Chair, VQA Ontario

Len Pennachetti (6)

Cave Spring Cellars

Past-Chair, VQA Ontario

Ken Douglas (7)

Thirteenth Street Winery

Vice-Chair, VQA Ontario

Mary Shenstone (7)

Ontario Ministry of Energy and

Infrastructure

Paul Speck (7)

Henry of Pelham Family Estate Winery

Secretary, VQA Ontario

Paul Lizak (5)

Legends Estate Winery

Newman Smith (7)

Strewn Inc.

Treasurer, VQA Ontario

Norman Hardie (2)

Hardie Wines

Tony Elenis (5)

Ontario Restaurant, Hotel and Motel Association

Frank Hellwig (3)

Vincor Canada

William George Jr. (3)

Grape Growers of Ontario

Brian Schmidt (4)

Vineland Estates Winery

Walter Schmoranz (3)

Pelee Island Winery

Attendance at Board meetings:

7 Board meetings were held in 2008-2009. The number of meetings attended by each Director is shown in brackets beside his or her name.

Staff and Statutory Appointments

Laurie Macdonald,

Executive Director and VQA Inspector

Barbara Dodds,

Executive Assistant and VQA Inspector

Carey Smith,

VQA Inspector

Photo Credits: Steven Elphick's passion for wine and food translates itself into food, landscape and beverage photographs with a core of truth and beauty as showcased in *The Wine Atlas of Canada*. He has been judging wine professionally since 1988. www.stevenelphick.com

Design: Darren Richards



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